

STATE OF MICHIGAN  
DEPARTMENT OF LABOR & ECONOMIC GROWTH  
OFFICE OF FINANCIAL AND INSURANCE SERVICES

Before the Commissioner of the Office of Financial and Insurance Services

In the Matter of:

International Bond Headquarters  
#253—1917 W. Fourth Ave.  
Vancouver, BC V6J 1M7

Hope Mills  
c/o International Bond Headquarters  
#253—1917 W. Fourth Ave.  
Vancouver, BC V6J 1M7

Kathleen Wood  
c/o International Bond Headquarters  
#253—1917 W. Fourth Ave.  
Vancouver, BC V6J 1M7

Respondents

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Issued and entered  
this 20<sup>th</sup> day May, 2004  
by Linda A. Watters,  
Commissioner

**ORDER TO CEASE AND DESIST**

The Office of Financial and Insurance Services (hereafter OFIS), of the Michigan Department of Labor & Economic Growth, pursuant to the Administrative Procedures Act of 1969, 1969 PA 306, as amended; MCL 24.201 et seq., the Michigan Uniform Securities Act, 1964 PA 265, as amended; MCL 451.501 et seq., (hereafter the Act), and the rules promulgated under the Act (hereafter the Rules), says that:

**FACTS COMMON TO ALL COUNTS**

1. Hope Mills (Respondent) is an individual employed by International Bond Headquarters.
2. Kathleen Wood (Respondent) is an individual employed by International Bond Headquarters.
3. International Bond Headquarters (Respondent) is located at #253 – 1917 W. Forth Ave., Vancouver, BC, Canada, V6J 1M7.
4. At all times herein, Respondents were not registered by OFIS as a broker-dealer or agent, or as a National Association of Securities Dealers (NASD) member.
5. On or about April 24, 2000, the Office of Financial and Insurance Services received a complaint concerning Respondents.
6. In March 2000, the Complainant, xxxxxxxxxxxx an 87 year old retiree, residing in xxxxxxxxxxxx, received an unsolicited telephone call from a Hope Mills, allegedly representing a Canadian organization identified as International Bond Headquarters (IBH).
7. Mills allegedly advised Complainant that he won \$54,000 and because it costs money to send money from Canada, he would need to pay a small fee in order for him to obtain his prize money. She also assured Complainant that by charging this fee to his credit card, Complainant would receive his prize money before his monthly credit card statement (bill) arrived and prior to its due date.
8. Complainant initially balked at participating in the alleged prize plan as well as giving out his credit card number to Mills. However, during their telephone conversation, Mills transferred Complainant to another individual within the IBH organization who identified

9. herself as Kathleen Wood. Wood convinced Complainant to give her his Visa card number and also assured him his prize money would arrive before his monthly credit card statement.
10. Within a couple of days, Complainant received (via a delivery courier), a Credit Card Authorization (CCA) form requesting his signature for a \$3,000 charge against his credit card for the purchase of a “Two Year Premium Bond Program”. In addition, the form stated in part “please sign and return immediately in the envelope provided....All sales are final. Your order has already been paid for.”
11. Included with the CCA form, was a Purchase Agreement (Agreement) and a two (2) page prospectus dated November 1, 1997. Terms of the Agreement provided, among other things, that Complainant agreed to purchase from “International Bond Headquarters, a Two Year Premium Bond Program for the amount of \$3,000.00 (the ‘Purchase Price’) and I have authorized the charge to be placed on my credit card.” Complainant decided not to sign either the CCA or Agreement form.
12. Shortly thereafter, Complainant received his April 2000 credit card statement and discovered the following unauthorized charges against his account:

<u>Transaction Date</u>	<u>Posting Date</u>	<u>Organization</u>	<u>Amount</u>
3/21/00	3/23/00	FAC-ITH LTD Premium B Hamilton, BM	\$3,000
4/4/00	4/6/00	BBC Holdings Edmonton, AB	(\$3,595.50 Canadian) \$2,493.45 US

13. Complainant notified his credit card company of the unauthorized transactions and subsequently both charges were dropped from the account statement.

14. Document received by Complainant indicated that IBH offered a Two Year Premium Bond Program to participate in the United Kingdom National Savings Premium Bond Membership with the understanding that the two-year United Kingdom Premium Savings Bond Membership would be held in trust by IBH. It was “designed to earn members cash prizes...giving you an amazing opportunity to accumulate cash winnings that will hopefully last for the rest of your life... and for whatever reasons you do not receive a cash prize within twenty-four months you are eligible to receive a refund on the full face value of the bond.”
15. The real National Savings is the second largest savings institution in the United Kingdom. It typically issues the National Premium Savings Bonds on an on going basis to residents of the United Kingdom. One of the features of the Bonds is that it allows individual investors to qualify for a random monthly drawing of prize money ranging from 50 British pounds to 1 million British pounds currency. The investor typically qualifies for each monthly drawing until their premium bond matures or is paid off. Bonds may only be held in the name of one individual and no more than 20,000 British pounds currency is eligible for entry in the drawing.
16. The Bonds are a Government security, backed by Her Majesty’s Treasury and are bought at any United Kingdom Post Office or directly from National Savings. National Savings is also an agency of the Chancellor of the Exchequer.
17. The documents furnished by IBH to Complainant made it appear as if he were investing in the United Kingdom National Savings Premium Bonds, when in fact he was actually purchasing an IBH Two Year Premium Bond Program, which allegedly purchased the United Kingdom National Savings Premium Bonds.

18. An alleged “Prospectus” was also furnished to Complainant that basically restated most of the Terms and Conditions found in the actual United Kingdom Savings Premium Bonds except the section indicating the bonds will be “repaid at purchase price on application to National Savings, Blackpool.”

### **COUNT I**

19. By certified letters, dated June 14, 2000, the Administrator required Respondents IBH, Wood, and Mills, to file with the OFIS, a written statement as to all the facts and circumstances concerning the activities of Respondents with regard to the Two Year Premium Bond Program in the State of Michigan.
20. Certified return receipts were received from Respondents IBH and Wood on July 10, 2000 and June 20, 2000 respectively. Both Respondents failed to provide the written statement required by the Administrator.
21. The certified return receipt for Respondent Mills was not returned to the OFIS. Subsequently, on August 30, 2001, a copy of the June 14, 2000 letter to Mills was served upon the Administrator and another copy of the letter was sent to Mills at her last known address. Respondent Mills also failed to provide a written statement required by the Administrator.
22. Failure to provide a written statement, as required by the Administrator, is a violation of Section 407(a)(2) of the Act.

### **COUNT II**

23. IBH’s offer and sale of the Two Year Premium Bond Program is neither registered nor exempt from registration in Michigan.

24. The offer or sale of unregistered or non-exempt securities is a violation of Section 301 of the Act.

**COUNT III**

25. Respondents employed and/or acted as registered agents, and transacted business as such.
26. Respondents did not disclose to the Complainant that they were not registered agents in Michigan and the Two Year Premium Bond Program was neither registered nor exempt from registration in Michigan.
27. Respondents omitted to state material facts, made untrue statements of material fact, and employed a scheme to defraud in violation of Section 101 of the Act.

**COUNT IV**

28. Respondents Wood and Mills, as representatives of IBH, transacted business in Michigan as securities agents by offering and selling unregistered nonexempt securities.
29. Respondents Wood and Mills are not registered as securities agents under the Act.
30. Transacting business in Michigan as an unregistered securities agent is a violation of Section 201(a) of the Act.

**CONCLUSIONS OF LAW**

WHEREAS, Section 408 of the Act, states that whenever it appears to the Administrator (Commissioner of the Office of Financial and Insurance Services) that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of this act or any rule or order hereunder, it may in its discretion issue a cease and desist order or bring an

action in a circuit court to enjoin the act or practices and to enforce compliance with this act or any rule or order hereunder; and

WHEREAS, the Administrator finds that a person must be registered under Section 201 of the Act in order to offer to sell or sell investments; and

WHEREAS, the records of OFIS disclose that neither International Bond Headquarters, Hope Mill or Kathleen Wood were licensed to conduct business in the State of Michigan; and

WHEREAS, the investment in International Bond Headquarters' Two Year Premium Bond Program is a security within the meaning of Section 401; and

WHEREAS, the records of OFIS disclose that the investments offered by Respondents were not:

- a. Registered under Section 302 of the Act;
- b. Exempt from registration under Section 402 of the Act; and
- c. Federally covered securities; and

WHEREAS, the records of OFIS disclose that the securities transactions relating to the Two Year Premium Bond Program are not exempt under Section 402 of the Act; and

WHEREAS, the Administrator finds that the Respondents, Hope Mills and Kathleen Wood omitted to state the material fact that they are not licensed under the Act and the investments sold are unregistered securities; and

WHEREAS, based on the foregoing, the Administrator finds that Respondents are engaged in acts and practices that violate Sections 101, 201, 301, and 407(a)(2) of the Act and Rules promulgated under the Act; and

WHEREAS, the Administrator finds this action necessary and appropriate in the public interest for the protection of the public and consistent with the purposes fairly intended by the policy and provisions of the Act.

IT IS THEREFORE ORDERED, pursuant to Section 408 of the Act, MCL 451.808, that: The Respondents shall immediately CEASE AND DESIST from transacting business in this state as a broker-dealer or agent, or an investment adviser without being registered under the Act and from offering to sell or selling unregistered securities in and from the State of Michigan.

Failure to comply with this ORDER will subject you to one or more of the following:

- a. A civil penalty of not more than \$1,000 for each violation of this act, but not to exceed a total of \$10,000.
- b. A criminal penalty of not more than \$25,000 for each violation, or imprisonment of not more than 10 years, or both.

You may file with the Administrator within 15 days after service of this Order a written request for a hearing. The Administrator, within 15 days after your filing, shall issue a notice of hearing and set a date for the hearing. Any request for a hearing should be addressed to: the Office of Financial and Insurance Services, Attention: Hearing Coordinator Dawn Kobus, P.O. Box 30220, Lansing, Michigan 48909. If you do not request a hearing, or it is not ordered by the Administrator within 15 days, this order will stand as entered and will be FINAL.

MICHIGAN DEPARTMENT OF  
LABOR AND ECONOMIC GROWTH

By: \_\_\_\_\_  
Linda A. Watters, Commissioner  
Office of Financial and Insurance Services